

entrepreneurship are much better suited to stimulate and promote regional development. Since new business formation is a main generator of industry diversity in a region (Neffke, Henning and Boschma 2011; Noseleit 2013, 2015), stimulating regional entrepreneurship will contribute to regional industry diversity and to the magnitude of its positive effect on growth.

Geo Economy and Geo Politics

GEOECONOMICS IN CENTRAL AND EASTERN EUROPE: ROLE OF FDI IN ECONOMIC GROWTH AND CATCHING-UP

Zoltán Gál, Centre for Regional Studies of the Hungarian Academy Of Sciences, HUNGARY

FDI inflows have channelled by foreign MNCs into the CEE in the past 25 years to become the most common type of capital flow. FDI inflow into CEE economies became the predominant type of incoming capital investment in the first stage of the economic transition. FDI inflows have resulted in dramatic changes of ownership structures and privatization of state-owned companies was accompanied by 'foreignization'. The financial sector and high tech manufacturing became the primary targets of foreign investors and the local subsidiaries of MNCs hierarchically commanded from their headquarters generating asymmetric power relations over the region.

The paper investigates the long-term problems of capital accumulation in the context of centre and periphery and dependency models, the systemic features of the integration of post-socialist transition countries in the context of dependent market economy model characterized by high dependency on FDI invested by foreign MNCs into the Central and Eastern Europe (CEE) and on export dependence mainly on Western Europe. The main aim is to analyse the impact of FDI on growth, gross fixed capital accumulation, per capita GNI and export in selected CEECs.

Empirical research based on the hypothesis that FDI does not affect growth in less mature financial markets, and those developing countries relied on external capital grow much slower than those who relied on their own savings. In order to measure the impacts of foreign capital flows on host economies we use regression to statistically verify our presumptions. The time horizon covers the period between 1995-2014 and CEECs. Preliminary results do not find strong correlation between catching up and FDI, rather domestic savings and higher incomes are the most important factors.

The paper argues that the global financial and economic crisis is not only an external shock to CEECs but it also exposed the systemic weaknesses of the post-socialist neo-liberal transition model, which is failed to decrease the relative development gap between the 'old' and 'new' EU members, and has been contributed to growing inter & intra- regional disparities will be measured by geographical disparity indices. Empirical research argues that correlation between higher FDI increase and growth is negative or neutral in the long run. Consequently, foreign investment-led growth model in the CEECs failed to generate internal capital accumulation & savings and also failed to decrease the relative development gap between the 'old' and 'new' EU members. This vulnerability of CEE is exacerbated by geoeconomic problems, both by the predominant external capital & export dependence mainly on Western Europe and energy dependency on Russia.